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Abstract

This paper provides new information about how family incomes and the state of poverty of Australian households with children changed from year to year in the mid-1990s. The study is based on data from the Survey of Employment and Unemployment Patterns, a longitudinal survey that followed a group of respondents between September 1994 and September 1997.

The paper defines poverty according to different thresholds and the child poverty rates that result from these thresholds. The poverty rates were calculated using gross income and are not directly comparable with the usual poverty rates based on disposable income.

The paper begins with a description of the extent and pattern of income dynamics among families with children. This is followed by analyses of the family characteristics of children persistently in poverty, as well as children moving into and out of poverty based on four poverty thresholds and using variables on both current and annual income. The study also investigates whether there are differences between the outcomes for all dependent children and young children (those less than 15 years old).

Author note

Annie Abello is a Senior Research Fellow at NATSEM. Ann Harding is the inaugural director of NATSEM and Professor of Applied Economics and Social Policy at the University of Canberra.

Acknowledgments

General caveat

NATSEM research findings are generally based on estimated characteristics of the population. Such estimates are usually derived from the application of microsimulation modelling techniques to microdata based on sample surveys.

These estimates may be different from the actual characteristics of the population because of sampling and nonsampling errors in the microdata and because of the assumptions underlying the modelling techniques.

The microdata do not contain any information that enables identification of the individuals or families to which they refer.

Contents

1 Scope of the study

This paper provides an overview on child poverty dynamics using data from the Survey of Employment and Unemployment Patterns (SEUP), conducted by the Australian Bureau of Statistics (ABS).

The SEUP is a longitudinal survey with information collected from the same individuals over three annual waves of interviews. These interviews were conducted in 1995, 1996 and 1997. During each wave, information was sought on a person's current circumstances and on their labour market activities over the previous 12 months. The full survey provides longitudinal data covering the period from 5 September 1994 to 31 August 1997.

Before SEUP was undertaken, analyses of the dynamics of low income and poverty in Australia were constrained by very limited panel data. The ABS income surveys had a limited longitudinal element through their collection of income information at the time of interview and for the previous financial year. However, full longitudinal data have been available for only certain subgroups of the population. These include youth (covered by the Australian Youth Survey and its predecessor the Australian Longitudinal Survey — Bell, Rimmer and Rimmer 1992) and recent immigrants (covered by the Longitudinal Study of Immigrants to Australia).

The SEUP data have thus allowed, for the first time in Australia, a study of the dynamics of child poverty.[1] Until now, the overwhelming majority of poverty studies in Australia have been based on cross-sectional data, providing 'snapshots' of poverty at a point in time. In contrast, the SEUP data allow us to look at somewhat different questions, including how likely children are to move into or out of poverty over time. This is a particularly important issue because, for example, policy makers are likely to regard a situation where children are in poverty for very long periods as being more serious than one where there is considerable movement into and out of poverty.

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[1] Since this study was undertaken, the Australian Department of Family and Community Services has commissioned the Melbourne Institute to produce the longitudinal data from the HILDA (Household, Income and Labour Dynamics in Australia) survey (see www.melbourneinstitute.com for further information). In the future, these data will be used to analyse the dynamics of child poverty.

The next section provides some details about the use of the SEUP data in this study. Section 3 describes how the data were used to define low income and poverty thresholds, and the resulting child poverty rates. Section 4 starts with an overview on income variability, describing the extent and pattern of income dynamics revealed by the population reference group and looking at the whole income distribution. Thereafter, it analyses movements into and out of poverty, and relates this to correlates such as family type and economic activity of the members of the household. Section 5 summarises the study.

2   The sample

2.1 SEUP subgroups

The SEUP sample comprises three subgroups, which are listed below with their wave 1 sample sizes (n) in parentheses:

- jobseekers — people who in May 1995 were either looking for work, marginally attached to the labour market, or underemployed (n = 5488)

- population reference group (PRG) — a random sample of the population aged 15–59 years (n = 2311), and

- labour market program participants — people who had commenced a subsidised employment placement or labour market training program between July 1994 and February 1995 (n = 1019).

Given that our concern is to investigate child poverty dynamics across the whole population, we focused the analysis on the population reference group (table 1).

2.2 Accounting for attrition

When the ABS weighted the PRG subgroup, it took into account the significant effects of attrition on the sample — 14 per cent of the population reference group was lost between wave 1 and wave 3. This ensured that the total weighted population estimate remained constant over the three waves.

Table 1 **Size of the samples**

	Wave 1	Wave 2	Wave 3
	no.	no.	no.
Size of the population reference group[a]	2 311	2 120	1 983
Weighted population estimate[b]	11 051 000	11 051 000	11 051 000
No. of families with children for which data on current weekly income are available and not imputed[c]			
With dependent children	671	647	705
With children aged less than 15 years	600	566	613
Average no. of children per family			
All dependent children	2.2	2.3	2.3
Children aged less than 15 years	1.9	1.8	1.9

[a] As at 31 August 1995, 1996 and 1997. [b] Using ABS longitudinal weights. [c] The number of families for which annual income data are available is about 5–10 per cent less than these. If respondents with imputed income were included, the number of families would increase by about 20 per cent.

2.3 Limitations of the sample

Due to a number of factors, the size of the sample used for this study is very small. First, data on income were not available for up to 14 per cent of survey respondents for both measures of income (current and annual). Second, and a related matter, the proportion of respondents for whom income was imputed was on average 17 per cent for current income and 23 per cent for annual income. Since we had concerns about the imputation of income, particularly current income (see the discussion in section 3), we did two sets of analyses — with and without imputed income. Finally, only about 40–45 per cent of families[2] for whom income data were available had children. Taking all the above into account, the final sample sizes ranged from 35–44 per cent of the original sample sizes shown in table 1 if imputed income records were retained (and 26–34 per cent if imputed values were excluded).

In addition to concerns regarding sample size, a number of measures were taken to more closely match the SEUP data with other ABS data, as preliminary analysis showed the rate of poverty to be far higher than expected based on statistics generated from cross-sectional data. The two key adjustments made are described in section 3.

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2 Proportions estimated are based on sample sizes and without using weights.

2.4 Weights

The weights attached to each respondent in the SEUP sample allow population estimates to be generated. As noted above, the ABS has calculated longitudinal weights for the SEUP data that take into account the representativeness of each respondent as well as the issue of sample attrition.

Three sets of weights were used, depending on the nature of the analysis. For analysis of data on a per wave basis, the ABS weights associated with each wave were used for each wave's data. For analysis of transitions through all three waves a common set of weights across the waves was required, so the wave 3 longitudinal weights calculated by the ABS were used. In defining poverty thresholds, we followed the conventional approach of using respondent weights multiplied by the number of persons in the income unit.

It should be noted that because the ABS defined weights for only the respondents to the SEUP survey, these weights were the ones that had to be used to calculate the number of children in poverty. That is, it was not possible to use separately calculated weights for parents and for children within each income unit.

3   Defining low income and poverty

Australians generally do not suffer the severe material deprivation evident in some developing countries. This affects our definition of poverty. In this paper the notion of poverty extends to include not only individuals without food or shelter, but also those whose living standards fall below some overall community standard. This *relative poverty* definition underpins most estimates of the number of Australians in poverty (ABS 1998b).

There is no universally accepted measure of poverty. All of the decisions made by the analyst in defining and measuring poverty are highly debateable. This study uses a family's *cash income before income tax* as the indicator of its standard of living — that is, gross or total income. Most poverty studies use disposable (after income tax) income as the measure of resources. However, SEUP did not collect data on post-tax income. Furthermore, non-cash benefits are not included within the 'cash

income' measure of resources. Non-cash benefits arise from the use of government funded or subsidised welfare services, such as education and health. Previous research has shown that families with children receive higher than average non-cash benefits, so that including such benefits within the measure of resources might change the poverty picture (Harding 1995, p. 76; Smeeding et al. 1993). Yet including non-cash benefits in the poverty measure is not straightforward (Landt and King 1996, p. 5).

Although there is not agreement about which is the 'right' equivalence scale to use, we have to use such scales in poverty analysis. It is unlikely that, for example, a single person with an income of $19 000 suffers from the same degree of poverty as a couple with four children with the same income. A way therefore has to be found to define poverty levels for families of different composition. Typically a poverty line is defined for a benchmark family type, such as an individual or a couple without children, and then equivalence scales are used to determine comparable poverty lines for other types of family.

Results can vary greatly depending on the equivalence scale used. This study uses the original OECD scale, which has been widely used internationally. The OECD equivalence scale carries a weight of one for the first adult in the unit, 0.7 for any other adult and 0.5 for each child.

The income unit is the group among whom income is assumed to be shared equally. In this study the estimates employ the ABS definition of the income unit, which means that an income unit is defined as either a couple with dependent children, a couple without dependent children, a sole parent with dependent children, or a single person. A dependent child is defined as a child aged less than 15 years or a 15–24 year old in full-time study and still living in the parental home. Throughout the paper, the income unit is commonly referred to as the family.

3.1 Adjustments to the data

We made two adjustments to the SEUP data to make it more consistent with the ABS concept of the income unit used in the ABS national income surveys.

Based on the ABS definition of an income unit, when the respondent is a dependent student the income of the income unit includes both parental

income and that of the dependent student. One difference in the SEUP variable *income of the income unit* compared with other ABS data sources is that, in SEUP, income unit data were collected for only the respondent and spouse (if any). Thus, in cases where the respondent was a dependent student, data on the income of the dependent student's parents were not collected. Given this characteristic of the data, if dependent student respondents had been retained in the sample, the dependent child poverty rates would have been extraordinarily high. We thus opted to delete that segment of the sample where the respondent was a dependent student. This constituted about 5 per cent of the sample in wave 1.

Second, since data on income were available for the *income unit* rather than the *family* or the *household,* we constructed a new variable, *income unit type*, based on the family type and household relationships variables. In cases where the respondent was a non-dependent child, we treated that child as an income unit separate from the parents and classified the non-dependent child (if unmarried) as a single person income unit rather than a couple family with dependant(s) income unit. The above adjustments to the data — deletion of dependent student respondents and classification of non-dependent children as single income units — brought SEUP data on income level, income unit size and family composition of income units closer to, but still not equal to, the 1994-95 ABS Income Distribution Survey (IDS). Relative to this survey, SEUP has more couples with dependants and fewer singles, but the same proportion of couple-only and sole parent families. If we had retained the income units where the respondent was a dependent student, and considered each non-dependent child in families as a separate income unit, the resulting distribution by income unit type would be much closer to the IDS distribution. However, the absence of income data on other family members precluded adoption of this option (see appendix A for comparison of SEUP wave 1 and IDS data on income level and income unit size and composition).

3.2 The income variables

Choice of income variable

The SEUP data include two alternative measures of family income — current weekly income of the income unit and annual or period income of the income unit. The basic conceptual difference between the two

measures is that, while annual income records a family's total income during the previous financial year, current weekly income records the actual income of the family during the interview week. Current weekly income thus reflects a family's circumstances at a particular point in time rather than over the course of a year (with short-term unemployment, for example, being one reason why annualised current income might vary from annual income). Income is defined as 'regular cash receipts' and includes wages and salaries, business and investment income, and government cash transfers such as pensions and family allowance. To facilitate the analysis, annual income was converted to weekly terms, by dividing it by 52. Because the extreme values, particularly the high values[3], would have unduly influenced the results (particularly means), any negative value was set to zero and any weekly income greater than $5000 was set to $5000.

Imputation

For some data records in SEUP, information on income was not provided by the respondents and values were consequently imputed by the ABS. Around 14–19 per cent of current income values were imputed while the corresponding figures for annual income values were 21–28 per cent (table 2).

Income was imputed mostly for the employed, so the expectation is that mean incomes would be higher after taking into account incomes that were imputed. This does occur in most cases, except for current income in wave 2. For the latter, the average income of the whole sample became lower when imputed incomes were included, declining from $625 to $596 (table 2). As a consequence, while mean annual income increased over the period 1994–97, no such trend is evident for mean current income.[4]

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3 Current income unit values ranged from $0 to $32 606 in wave 1, -$354 to $5611 in wave 2 and -$250 to $14 995 in wave 3.

4 ABS data on both current and annual income (converted to a weekly equivalent) from the IDS for the same period show a steady increase. Current income increased from $596 (1994-95) to $609 (1995-96) to $625 (1996-97) (ABS 1998a) while the corresponding figures on annual income were $583, $609 and $639. IDS income averages may be lower than SEUP income averages since, for the former, negative income was included in estimating the mean while, for SEUP, negative values were coded to zero. IDS mean annual income shows a steady increase across time similar to that evident in SEUP mean annual income.

Table 2 **Mean weekly income of the income unit[a]** In current dollars, September 1994–97

	Unit	Current income			Annual income		
		Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
Mean income							
Excluding imputed	$	753	625	712	673	686	793
Including imputed	$	1 381	484	904	825	806	950
Total	$	859	596	744	708	721	826
Ratio of income to wave 1 income							
Excluding imputed		1.00	0.83	0.95	1.00	1.02	1.18
Including imputed		1.00	0.35	0.65	1.00	0.98	1.15
Total		1.00	0.69	0.87	1.00	1.02	1.17
Sample size							
Total	no.	2 311	2 120	1 983	2 311	2 120	1 983
Proportion imputed	%	14	19	17	21	28	21
Proportion for which no data are available	%	14	8	1	14	7	1

a Means were estimated based on respondent income at current prices, where negative values were coded to zero but high income values were not top-coded. Generated using ABS respondent weights per wave.

The change across time in SEUP current income may merely reflect the erratic pattern of current income, as it covers only one week of data. Nevertheless, given concerns about the robustness of the data, two sets of analyses were undertaken — excluding and including imputed income. Tables in the text are based on data excluding imputed income, while corresponding tables including imputed income are presented in the appendixes.

Real change

To remove the impact of inflation on the picture of income dynamics, the income values were all converted to September quarter 1994 dollars, using the consumer price index as the deflator. Thus, all the income figures presented in the following sections of the paper are in September quarter 1994 dollars and, likewise, the dynamics relate to the dynamics of real income.

3.3 The poverty line

The extent of measured poverty is very sensitive to the level of the poverty line. The head-count measure of poverty used in this study —

which shows the number of children living in families whose income is below a specified poverty line — can increase substantially when the poverty line is raised by only a few dollars. This is because large numbers of families depend on social security in the income ranges that poverty lines are typically drawn.

Four poverty lines have been used in this study. There are empirical and conceptual advantages to using several in parallel. The four lines allow sensitivity analysis of the conclusions drawn to variations in the threshold.

The first line is widely employed internationally. It is set at *half of the median equivalent family gross income* of all Australians in each wave. Using this threshold means that we are comparing the living standards of children with the living standards of all Australians. (An alternative would be a *child median* poverty line, based on the family incomes of children only (Bradbury and Jäntti 1998). In this case, poor children would be those who had much lower living standards than other children, rather than those who had much lower living standards than individuals generally.) This poverty line uses the OECD equivalence scale to calculate the relative needs — and thus the equivalent income — of different types of family.

The second threshold is similar to the first, but is set at half of the median equivalent family gross income of all Australians *in wave 1*.

The third and fourth thresholds are set at the *lowest quintile* and *lowest decile* of equivalent family gross income of all Australians in each wave, also using the OECD equivalence scale.

A potential drawback to all of our low income analysis is that any change in income across a low-income threshold gets recorded as a transition, regardless of whether the underlying income change is from just below the threshold to just above, or a larger movement. However, our use of alternative thresholds should help reveal the sensitivity of results. Moreover, in succeeding analysis, when examining the correlates of the income changes themselves, we tighten the definition of an income transition in order to reduce the magnitude of this problem.

3.4 Poverty thresholds and poverty estimates

The poverty thresholds estimated from the SEUP data are shown in figure 1 and the resulting poverty rates are in table 3. We present values calculated based on both current income and annual income.

The data on income from which the poverty lines were estimated are expressed in weekly terms, in September 1994 dollars. As the figures were estimated based on longitudinal data covering the same respondents over the three waves of data, the resulting poverty rates may approximate, but not necessarily equal, poverty rates calculated for Australian children using similar methodology but using other data sources. The slight differences in poverty rates across the three waves should not be seen as reflecting just changing socioeconomic conditions. Changes in the macro environment would also have had an effect, as would have the ageing of the sample over the course of the survey.

Poverty line thresholds

Figure 1 shows the position of the poverty lines across three waves. For wave 1 the line based on the lowest decile of **annual income** (in weekly terms) is lowest at $290 while the two other poverty lines (based on the lowest quintile and half the median of annual income) lie closer together, at $452 and $459. There is a slight dip in the poverty line from wave 1 to wave 2 for the measures based on the lowest quintile and half-median income, reflecting the dip in overall incomes (when expressed in 1994 prices) evident in the SEUP annual income unit data for the same period (see table B1 in appendix B for poverty lines).

Poverty lines based on **current income** are broadly similar, although lower overall.

Corresponding figures for poverty thresholds taking imputed income into account are similar to poverty lines excluding imputed income, although the decline in wave 2 is much more pronounced.

Poverty rates

The child poverty rates based on the thresholds of lowest decile, lowest quintile and half the median of current income in wave 1 are 12.4 per cent, 23.7 per cent and 21.7 per cent respectively. The corresponding

poverty rates for children under 15 years of age are slightly higher for all poverty lines except the lowest decile (table 3).

With a few exceptions, the relationship between poverty rates derived from annual and current income data is straightforward — poverty rates estimated using annual income data are slightly higher, but in most cases the disparity is small, ranging from 1 to 3 percentage points (table 3).

Figure 1 **Annual and current income poverty thresholds, by wave**
In September quarter 1994 dollars, excludes imputed incomes
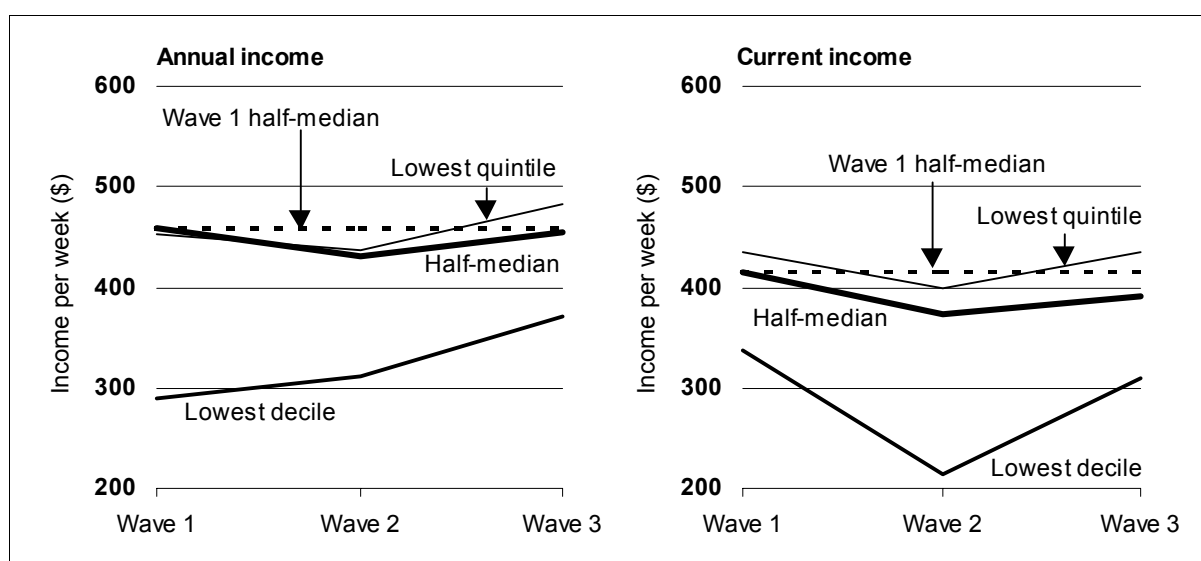
Data source: Appendix B, table B1.

Table 3 **Child poverty rates, by wave, September 1994–97**
Excludes imputed income

	All dependent children			Children aged under 15 years		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
Current income	%	%	%	%	%	%
Lowest decile group	12.4	9.6	11.0	12.1	8.1	10.5
Lowest quintile group	23.7	23.6	21.7	24.8	23.3	21.9
Half-median group	21.7	21.1	17.7	22.5	20.5	17.5
Wave 1 half-median group	21.7	24.6	18.2	22.5	24.5	17.9
Annual income	%	%	%	%	%	%
Lowest decile group	12.3	11.1	12.3	12.1	11.1	12.1
Lowest quintile group	22.7	22.3	22.7	23.1	23.6	23.2
Half-median group	23.1	21.7	21.0	23.6	22.8	21.3
Wave 1 half-median group	23.1	24.0	19.5	23.6	25.6	19.1
Sample size	no.	no.	no.	no.	no.	no.
Current income data	671	647	705	600	566	613
Annual income data	607	593	667	542	512	574

Poverty lines and poverty rates when respondents with imputed income are taken into account are presented in appendix B. Generally, the poverty lines estimated when either including or excluding imputed income, particularly those based on annual income, are very close. The resulting poverty rates are also close, except the wave 2 rate based on wave 1 half-median current income definition of poverty. The wave 2 poverty rate was substantially higher at 36.9 per cent when imputed income is included than the 24.6 per cent when imputed income is excluded. This appears to be because various measures of imputed current income (whether it be the mean, as shown in table 2, or the median) decline substantially between waves 1 and 2.

At first glance these point-in-time poverty rates appear to be substantially higher than those estimated by Harding and Szukalska (2000) using data collected in the three income surveys spanning the period 1995-96 to 1997-98. Using the OECD half-median poverty line and current income, Harding and Szukalska estimated that the poverty rate in 1996-97 for all dependent children was 9.4 per cent (and 10.0 per cent in 1995-96). The rate for dependent children aged less than 15 years was slightly higher for both years. It should be emphasised, however, that the figures on child poverty rates shown in table 3 of this study (which were calculated based on *gross* income) are not directly comparable with those in most poverty rate studies. Harding and Szukalska, for example, followed standard practice in using after-tax or *disposable income* rather than gross income when calculating their poverty rates. The use of gross income results in higher poverty rates when the poverty line is set at some proportion of median or average incomes, because of progressivity in the income tax system.

The ABS Income Distribution Survey contains both gross and disposable income and, using this data, we found that child poverty rates based on disposable incomes are roughly three-quarters of the corresponding rates based on gross income. In summary, the figures in table 3 are higher than comparable child poverty rates based on disposable incomes but this is expected given that they are based on gross rather than disposable income. (As noted earlier, SEUP did not collect data on income tax payments so there was no opportunity to look at disposable income.)

As noted earlier in section 3, we made a number of amendments to the data in order to undertake child poverty analysis (for example, deleted dependent students from the sample when they were the SEUP

respondents). After these amendments had been made, there were differences between the income unit composition of SEUP and the ABS 1994-95 Income Distribution Survey (appendix A, table A1). In SEUP, families in the bottom decile also seem to have much higher incomes than those in the 1994-95 income survey (appendix A, table A2). Taking into account these observed differences between SEUP and other data, in subsequent analysis we prefer to focus on the relativities between different groups revealed in the SEUP data.

4 Income group mobility and low income dynamics among children

This section begins with a description of the extent and pattern of income dynamics among families with children in the PRG subgroup. This is followed by analyses of moves into and out of poverty among children. In most analyses, we present results using both current and annual income, particularly when there is a large difference in results using the alternative income variables. Towards the end of section 4, however, we focus on current income, since other variables important to our analyses are contemporaneously associated with current rather than annual income. Similarly, initially we present separate figures for *all children* and *young children* (those under 15 years of age) but forgo this in subsequent sections as results for the two groups do not differ substantially.

4.1 Overview of income variability

Overall income variability

Every child in the sample was classified into a family income group at each wave, and the resulting group classification in one wave was cross-tabulated with the group classification at another wave to reveal the pattern of change in income groups over the period. Income groups were defined on the basis of the poverty thresholds described in section 3. We used several thresholds to check the consistency of our results following the common practice in studies on poverty. We defined income groups using deciles, quintiles and fractions of median income, which vary in

real income terms over time, and fractions of wave 1 median income, which do not vary. Detailed mobility tables are presented in appendix C, tables C1 to C3.

There is a great deal of variability in family income from one year to the next, and this variability is experienced by all income groups — from poorest to richest. However, most income changes from one year to the next are not very large. There is relatively little long-range upward movement from poor to rich, and little downward movement from rich to poor.

The finding of much income variability and mostly short-range movements between income groups is confirmed by the tables in appendix C and summarised in table 4. For each set of SEUP subsamples, we report movements over one year and over two years. The one-year transition or movement is estimated as the average of movements starting in wave 1 and ending in wave 2, and movements starting in wave 2 and ending in wave 3, while two-year movements are those between waves 1 and 3.

Based on current income, over one year, 31 per cent of all children remained in the same decile group they started out in, whether it was the first, second or tenth decile. Over two years the percentage declined to 25 per cent. If only children under 15 years of age are considered, the

Table 4 **Overall mobility between income groups over one and two year intervals, September 1994–97** Excludes imputed incomes

	Current income				Annual income			
	All children		Children under 15		All children		Children under 15	
	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]
	%	%	%	%	%	%	%	%
Proportion of the sample remaining in the same income group								
Decile group	31	25	29	26	36	34	37	29
Quintile group	50	42	49	45	61	58	61	50
Half-median group	55	50	55	48	66	66	65	64
Wave 1 half-median group	62	52	61	49	71	68	69	67
Proportion of the sample remaining in the same or adjacent income group								
Decile group	65	59	65	58	76	70	75	71
Quintile group	83	83	83	83	92	89	93	88
Half-median group	92	92	92	92	96	95	97	95
Wave 1 half-median group	92	90	92	90	96	95	96	95

a Average of transitions between waves 1 and 2 and waves 2 and 3. **b** Transition between waves 1 and 3.

proportions are 29 and 26 per cent respectively. If annual income data are used, the proportions of children remaining in the same income group after one year and two years are slightly higher.

Table 4 also shows the proportion of children in the sample who were in the *same or neighbouring* (one higher or one lower) income group. It confirms that most movements in one or two years are over a short range. For example, although only 31 per cent of the sample stayed in the same decile group over a one-year interval, about double this proportion (65 per cent) remained in the same decile or moved to a neighbouring decile group. Similarly, while 50 per cent of all children remained in the same quintile group after one year, 83 per cent were in the same or adjacent quintile group. The results based on the half-median groups show a similar pattern. Once again, the degree of immobility is even more pronounced if annual income is used rather than current income. In this case, for example, after two years 70 per cent of all dependent children remained in the same or an adjacent decile group.

Low income and high income persistence

The data showing the degree of mobility between income groups can also be used to show persistence in low income and high income groups over the short term (table 5).

Table 5 **Low income and high income persistence over a one year intervala, September 1994–97** Excludes imputed incomes

	Current income			Annual income	
	All children	Children under 15		All children	Children under 15
	%	%		%	%
Proportion of the sample in the same low income group					
Lowest decile group	30	30		26	28
Lowest quintile group	48	48		72	72
Below half-median group	46	44		69	69
Below wave 1 half-median group	56	54		70	70
Proportion of the sample in the same high income group					
Richest decile group	54	57		67	64
Richest quintile group	65	67		72	75
Above 1.5-median group	62	59		64	63
Above wave 1 1.5-median group	66	64		79	76

a Average of transitions between waves 1 and 2 and waves 2 and 3.

The degree of short-term low-income persistence depends on the low-income threshold chosen. For example, if we consider current income and the cut-off is the poorest decile, about 30 per cent of children in the poorest group in either wave 1 or wave 2 were still there one year later (and thus about 70 per cent left poverty). If the threshold is raised to the lowest quintile or even half-median income, close to half remained in poverty and, if raised further to below half-median current income, 56 per cent of those in poverty in either wave 1 or wave 2 were still in poverty one year later.

The degree of short-term high-income persistence also depends on the definition of the income threshold. In general, the proportions remaining in the highest income groups are greater than the proportions remaining in the lowest income groups. This suggests that over the short term there is more mobility among those in the lowest income groups, and less mobility among those in the highest income groups. This is a general result regardless of whether the analysis involves current or annual income, or all children or only children under 15 years of age.

To confirm this finding, we look in greater detail at the proportion of children remaining at the bottom of the income distribution relative to those in the middle or top income ranges. Specifically, figure 2 shows the proportion of children remaining in the same decile over a one-year interval averaged over the period 1995–97.

Figure 2 **Degree of movement between income deciles over a one year interval**   Average over the period 1994–97, excludes imputed incomes
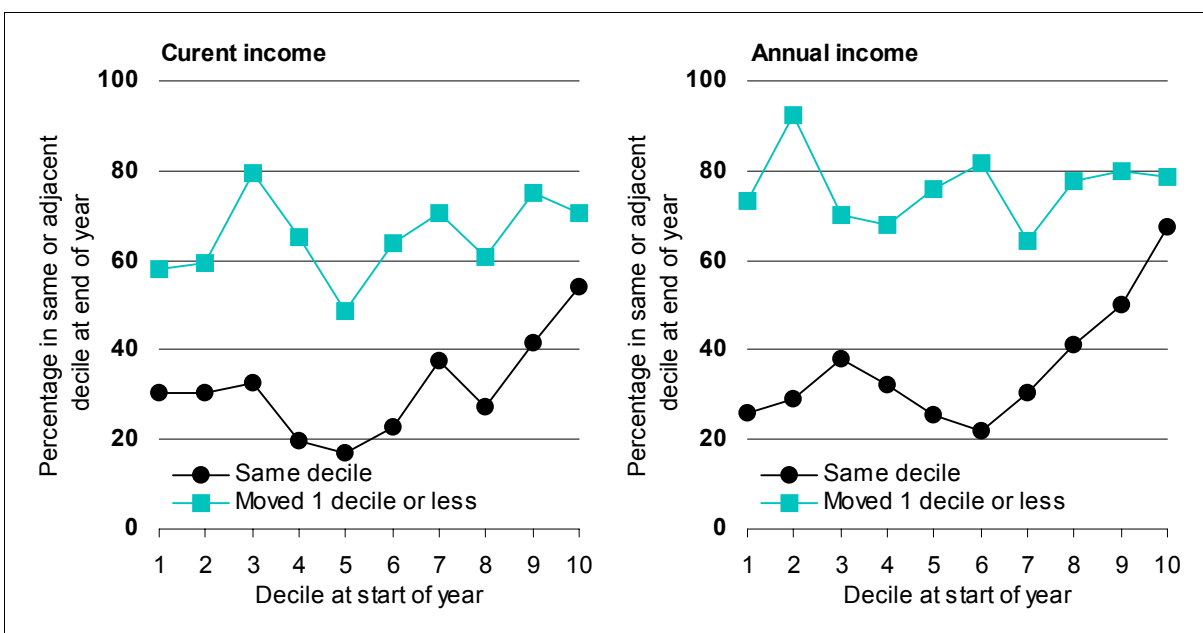
Data source: Appendix C, table C1.

Across the deciles, between 17 and 54 per cent of all children stayed in the same decile of current income over the year, although at the upper end of the income range, particularly the top two deciles, the proportions were notably higher than the rest. Overall, 31 per cent of children remained in the same decile over the period. Of the 69 per cent who did change deciles, most moved to an adjacent decile as shown by the squares in figure 2. The proportion of children remaining in the same current income decile or moving to an adjacent decile was around 58 per cent for the lower deciles, 65 per cent for the middle deciles, and 73 per cent for the top deciles. The foregoing confirms that there is more stability at the top of the income distribution than at the bottom.

Long-range downward and upward mobility

Table 6 summarises long-range mobility, defined here as the proportion of the richest group that move to the poorest group in the next period, and vice versa. The numbers indicate that very little long-range movements occurred. Even if the period of observation is extended from

Table 6 **Long-range downward and upward mobility over one and two year intervals, September 1994–97** Excludes imputed incomes

	Current income				Annual income			
	All children		Children under 15		All children		Children under 15	
	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]
	%	%	%	%	%	%	%	%
Proportion of richest income group moving to poorest income group								
Top decile to bottom	6	6	7	3	1	0	0	0
Top quintile to bottom	4	6	5	3	2	3	2	3
Above 1.5-median to below half-median	5	7	7	5	1	2	1	3
Above wave 1 1.5-median to below wave 1 half-median	7	5	7	2	3	1	2	1
Proportion of poorest income group moving to richest income group								
Bottom decile to top	1	0	1	0	0	0	0	0
Bottom quintile to top	2	2	4	2	1	2	1	2
Below half-median to above 1.5-median	1	1	1	2	0	1	0	2
Below wave 1 half-median to above wave 1 1.5-median	4	2	4	3	0	2	0	3

a Average of transitions between waves 1 and 2 and waves 2 and 3. **b** Transition between waves 1 and 3.

one wave to two, the proportions are still quite small. This confirms that most of the children moving out of the poorest income groups or the richest groups do not move very far. It must be emphasised, however, that we are looking at only a three-year period.

4.2 Children in persistent poverty

We now turn to examining movements into and out of poverty among children, particularly the extent of persistent poverty. It should be noted, however, that our definition of persistent poverty is constrained by the availability of data for only a two-year period; we have no information on the children's poverty status before and after this period. Further, the analyses required that the respondents have data on income for all three waves, so sample sizes are even smaller.

Table 7 summarises the income patterns for the longitudinal sample for wave 1, wave 2 and wave 3, where incomes have been coded as P if they are below the poverty threshold for a wave and as N if otherwise. Four sets of results are presented based on alternative poverty definitions using current and annual income. The table shows the incidence of each income pattern and the mean income in each successive wave for each pattern.

Based on current income and the most stringent definition of poverty — the lowest decile of income — about 80 per cent of all children had no experience of poverty (pattern NNN) over the period 1995–97 and only 1 per cent were in persistent poverty over the same period or were in families with incomes below the poverty threshold in all three waves (PPP).

If the poverty threshold is raised to the lowest quintile income, the proportion persistently in poverty rises to 6.7 per cent. At a poverty threshold based on half-median current income, the corresponding proportion is 5.0 per cent. Raising the poverty threshold further to half the median wave 1 income results in a slight increase to 7.4 per cent in the proportion of children in persistent poverty. The results based on these three poverty thresholds are relatively close.

Table 7 **Income pattern for all children across three years, September 1994–97** Excludes imputed incomes

Poverty threshold	Income pattern[a]	Sample number with income pattern	Proportion of sample with income pattern	Mean income[b]		
				Wave 1	Wave 2	Wave 3
		no.	%	$ pw	$ pw	$ pw
Current income						
Lowest decile	NNN	334	79.9	889	845	892
	NNP	16	5.3	651	507	192
	NPN	12	3.4	1 128	149	657
	NPP	7	1.4	919	122	182
	PNN	30	6.5	311	455	517
	PNP	7	2.0	338	409	368
	PPN	2	0.8	303	191	645
	PPP	2	0.9	460	271	393
	Total	410	100.2	829	750	797
Lowest quintile	NNN	268	63.7	990	945	987
	NNP	19	4.4	743	687	307
	NPN	18	6.0	875	258	732
	NPP	17	5.2	778	280	244
	PNN	22	4.6	334	519	595
	PNP	21	6.6	363	495	442
	PPN	14	2.7	366	340	582
	PPP	31	6.7	340	320	372
	Total	410	99.9	829	750	797
Half-median	NNN	279	66.1	969	928	972
	NNP	19	5.3	763	624	213
	NPN	21	6.9	838	282	703
	NPP	15	3.7	801	237	300
	PNN	24	7.1	354	525	571
	PNP	19	3.7	302	409	332
	PPN	15	2.2	292	310	528
	PPP	18	5.0	355	323	378
	Total	410	100.0	829	750	797
Wave 1 half-median	NNN	277	65.8	969	930	974
	NNP	17	3.8	775	708	255
	NPN	24	7.6	873	278	678
	NPP	16	4.8	723	302	237
	PNN	20	5.5	305	511	557
	PNP	8	1.2	308	510	335
	PPN	18	4.0	359	415	549
	PPP	30	7.4	352	335	365
	Total	410	100.1	829	750	797

Table 7 **Income pattern for all children across three years, September 1994–97**   (continued)

Poverty threshold	Income pattern[a]	Sample number with income pattern	Proportion of sample with income pattern	Mean income[b]		
				Wave 1	Wave 2	Wave 3
		no.	%	$ pw	$ pw	$ pw
Annual income						
Lowest decile	NNN	270	80.8	1 037	1 015	1 137
	NNP	17	5.1	531	495	288
	NPN	16	4.2	803	190	598
	NPP	10	2.2	394	218	296
	PNN	9	4.1	238	476	583
	PNP	6	1.9	335	421	362
	PPN	4	0.9	233	239	468
	PPP	6	0.9	172	227	211
	Total	338	100.1	927	889	1 002
Lowest quintile	NNN	234	72.0	1 098	1 074	1 206
	NNP	15	4.6	800	704	405
	NPN	15	4.3	906	268	683
	NPP	8	1.1	464	275	343
	PNN	14	3.8	305	576	708
	PNP	6	1.4	310	409	349
	PPN	6	0.8	141	258	482
	PPP	40	12.0	321	330	384
	Total	338	100.0	927	889	1 002
Half-median	NNN	237	72.9	1 097	1 071	1 199
	NNP	13	4.2	753	671	399
	NPN	15	4.0	906	216	661
	NPP	5	0.5	403	189	257
	PNN	15	3.9	306	572	702
	PNP	7	2.0	362	442	411
	PPN	9	1.1	191	246	481
	PPP	37	11.4	316	324	370
	Total	338	100.0	927	889	1 002
Wave 1 half-median	NNN	234	72.1	1 097	1 071	1 205
	NNP	15	4.6	804	737	395
	NPN	17	4.6	881	271	673
	NPP	4	0.4	433	185	252
	PNN	14	3.6	300	577	701
	PNP	2	0.2	222	270	97
	PPN	10	3.4	239	390	556
	PPP	42	11.2	338	323	346
	Total	338	100.1	927	889	1 002

[a] Income pattern codes the incomes at wave 1, wave 2 and wave 3 as P if below the poverty line threshold and as N if equal to or higher than the threshold. [b] In September quarter 1994 dollars.

Similarly, the proportions of children not in poverty in any of the three waves and based on the last three poverty thresholds used vary little, being 63.7 per cent (lowest quintile), 66.1 per cent (half-median) and 65.8 per cent (wave 1 half-median). In contrast, as already noted, the proportion not in poverty in any of the three waves based on the lowest decile threshold is nearly 80 per cent.

Corresponding statistics on the proportions of children persistently in poverty based on *annual* income data (table 7) are higher by about 5 percentage points based on the lowest quintile and half-median poverty thresholds, but about the same for the lowest decile cut-off. Based on the last three poverty thresholds shown in table 7, between 11 and 12 per cent of all children are in persistent poverty.

With respect to children under the age of 15 years, we find slightly smaller proportions in persistent poverty (and correspondingly, slightly higher proportions never in poverty), particularly using estimates based on annual income.

The persistently poor relative to those in poverty in wave 1

The extent of persistent poverty can be gauged from another perspective — the proportion of children in poverty at a point in time compared with the proportions in poverty throughout the period. Of the group of children defined to be in poverty based on the lowest decile cut-off in wave 1, table 8 shows that 17 per cent were still in poverty in wave 2 and 9 per cent were in poverty in all three waves. When the cut-off is the lowest quintile of current income, the percentages are higher. Of the children in poverty in wave 1, 46 per cent were still in poverty in wave 2 and 33 per cent were in poverty in all three waves. When the poverty threshold is half of the median income in wave 1 the percentages are higher still. Of the children in poverty in wave 1, 63 per cent were still in poverty in wave 2 and 41 per cent were in poverty in all three waves.

Despite the sensitivity of the results to the poverty threshold used, the foregoing numbers show that, while the proportion of children in poverty in all three waves appears to be small — ranging from 1 to 7 per cent of the total sample of children depending on the poverty cut-off used — a large proportion of those in poverty in wave 1 remained in poverty through all three waves of the SEUP. This is true particularly for

results based on the last three poverty thresholds, with the proportions remaining in poverty throughout ranging from 28 per cent to 41 per cent. These results also indicate that there is a greater likelihood of staying in poverty among those who have been in poverty at some point in time than among the population as a whole. Jarvis and Jenkins (1996) indicate that the reason for this is straightforward:

> Those in the low income stock have disproportionately long low income spell durations compared to the population as a whole; those with relatively high exit rates and hence, shorter durations, leave first, leaving behind the longer duration people.

Table 8 **Proportion of children in poverty in wave 1 and still in poverty after waves 2 and 3, September 1995–97** Excludes imputed incomes

	Poverty threshold			
	Lowest decile	Lowest quintile	Below half-median	Below wave 1 half-median
Current income	%	%	%	%
Proportion of total sample in poverty in wave 1	10	21	18	18
Proportion in poverty in wave 1[a]	100	100	100	100
Proportion still in poverty in wave 2[b]	17	46	40	63
Proportion still in poverty in waves 2 and 3[c]	9	33	28	41

[a] Those with income sequence of PPP, PPN, PNP or PNN. [b] Those with income sequence of PPP or PPN.
[c] Those with income sequence of PPP.

Income level changes

Next we examine the changes in mean income levels associated with different income patterns over the period September 1995 to September 1997 (table 9). For selected groups, however, notably those with the income patterns PNP and NPN, the relevant period over which to measure the change in their income is the last year (the year to September 1997) rather than the two years, as it was within this period that they moved into or out of poverty.[5]

Based on the poverty line set at the lowest income decile, the income pattern for children in poverty in all three waves shows that their

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5 The percentage change in mean weekly income over the period September 1996 to September 1997 is not presented in table 9 but may be calculated from the mean incomes provided in table 7.

income fell in real terms by 14 per cent over the two years, when the decline for the whole sample was 4 per cent (table 9).

There were substantial falls (80 per cent and 70 per cent respectively) in the mean incomes of some of those entering poverty (NPP and NNP). Those with income pattern of PNP registered an increase of 9 per cent over the two years, and a 10 per cent average decline over the year September 1996 to September 1997.

As expected, income grew fastest (113 per cent and 66 per cent respectively) for those children that left poverty and had the income patterns of PPN and PNN. For those with the pattern NPN, the relevant period over which to measure their change in income is the 12 months ended September 1997 and for that period they registered a 341 per cent average increase.

The changes in income levels based on other poverty thresholds show a similar but generally more modulated pattern (smaller declines and smaller increases) in mean incomes.

Table 9 **Change in current income level by income pattern and poverty line, September 1995–97** Excludes imputed incomes

Income pattern	Poverty threshold			
	Lowest decile	Lowest quintile	Below half-median	Below wave 1 half-median
	%	%	%	%
Always poor				
PPP	-14	9	6	4
Enters poverty				
PNP	9	22	10	9
NPP	-80	-69	-63	-67
NNP	-70	-59	-72	-67
Leaves poverty				
PPN	113	59	81	53
PNN	66	78	61	83
NPN	-42	-16	-16	-22
Never poor				
NNN	0	0	0	0
Total	-4	-4	-4	-4

Note: Income pattern codes the incomes at wave 1, wave 2 and wave 3 as P if below the poverty line threshold and as N if equal to or higher than the threshold.
Source: Based on table 7.

Poverty defined over a period relative to at a point in time

While only a small proportion of children were in poverty in every wave, many more were in poverty in one period or another. Starting with the figures based on the lowest decile cut-off, 1 per cent were in poverty in all three waves, 4 per cent were in poverty in two waves, and 15 per cent were in poverty in only one wave (table 10). These proportions imply that, during the two-year period, 1 per cent of the sample had three spells of poverty, 5 per cent had at least two spells of poverty, and 20 per cent had at least one spell of poverty. In other words, almost a fifth of the sample was touched by poverty over the two-year period.

If the poverty threshold is raised to the lowest quintile of current income, the proportion having at least one spell of poverty rises to over a third of the sample (36 per cent) — more than double the proportion for a single wave. The figures remain similar when the half-median threshold is used.

Jarvis and Jenkins (1996) using current income data from the British Household Panel Survey 1991–94 reported that 35 per cent of their sample was poor in at least one year during the three-year period based on the lowest quintile cut-off. This is about the same proportion in poverty for at least a single wave in this study (36 per cent) although our current income data cover only a two-year period (1995–97).

Table 10 **Proportion of children in poverty by number of waves, September 1995–97** Excludes imputed incomes

	Poverty line			
	Lowest decile	Lowest quintile	Below half-median	Below wave 1 half-median
Current income	%	%	%	%
Proportion in poverty in 3 waves[a]	1	7	5	7
Proportion in poverty in 2 waves[b]	4	15	10	10
Proportion in poverty in 1 wave[c]	15	15	19	17
Proportion in poverty in 3 waves[a]	1	7	5	7
Proportion in poverty in at least 2 waves[b]	5	21	15	17
Proportion in poverty in at least 1 wave[c]	20	36	34	34

[a] Those with income sequence = PPP. [b] Those with income sequence = PPN, NPP and PNP. [c] Those with income sequence = PNN, NPN and NNP.

Source: Based on table 7.

The relatively high proportions of children in the sample experiencing some poverty over the period 1995–97 is another manifestation of the earlier finding about mobility between income groups being common at all points along the income range. The relatively high turnover in low-income groups has important policy implications.

Characteristics of the persistently poor

An important policy question is: do children in long-term poverty or/and their families have some particular set of characteristics, or are they are just a random subset of those who are poor at a particular point in time? The answer to this question would determine whether policy should be tailored to address long-term poverty alleviation separately from standard anti-poverty measures.

To address this issue, we look at selected characteristics of those persistently in poverty, defined as those children in poverty in all three waves, and compare the distribution by family type and economic activity for this group with the corresponding distribution of all children who were in poverty in wave 1 (table 11). Note that, in actuality, three waves of data are hardly sufficient to define the 'persistently poor'. Duncan, Coe and Hill (1984) defined the persistently poor as those with low income in eight or more years out of ten, and the temporarily poor as those poor in one or two years out of ten.

In this and subsequent sections of the paper we focus the analysis on indicators based only on current income. The primary reason for choosing current income over annual income is that most other variables (that is, family characteristics) important to our analyses are contemporaneously associated with current income.

Table 11 should be analysed with great care given the extremely small sample sizes — for example, only 18 children were defined as poor in all three waves using the half-median poverty line. We have presented figures based on only two poverty lines — half-median income and wave 1 half-median income — because the number of persistently poor children based on these definitions is greatest. Although the sample sizes based on the two definitions are different, the resulting distributions by family type and economic activity are very similar.

Table 11 shows up differences between the persistently poor and those who were poor in only wave 1. For example, it is noticeable that 42 per cent of children in persistent poverty (defined using the half-median income threshold) were in sole parent families. The corresponding

Table 11 **Family type and economic activity of children classified poor in all three waves, September 1995–97** Excludes imputed incomes

Family type and economic activity	Poor in all three waves			Poor only in wave 1	All in wave 1
	Wave 1	Wave 3	Same type in waves 1 & 3[a]		
Half-median income	%	%	%	%	%
Family type					
Couple with children	58	59	48	78	88
Sole parent	42	41	32	22	12
Total	100	100	80	100	100
Economic activity					
Couple with children: 2 employed	3	10	3	14	46
Couple with children: 1 employed	14	17	7	27	34
Couple with children: 1+unemployed[b]	22	12	10	19	4
Couple with children: 2 nilf[c]	19	19	17	16	4
Sole parent: employed	.	12	.	1	5
Sole parent: unemployed	.	5	.	3	1
Sole parent: nilf[c]	42	24	24	18	6
Total	100	100	61	100	100
	no.	no.	no.	no.	no.
Sample size	18	18	16	139	671
Wave 1 half-median income	%	%	%	%	%
Family type					
Couple with children	75	74	67	78	88
Sole parent	25	26	18	22	12
Total	100	100	85	100	100
Economic activity					
Couple with children: 2 employed	2	7	2	14	46
Couple with children: 1 employed	13	17	7	27	34
Couple with children: 1+unemployed[b]	20	14	7	19	4
Couple with children: 2 nilf[c]	39	36	32	16	4
Sole parent: employed	.	9	.	1	5
Sole parent: unemployed	1	4	1	3	1
Sole parent: nilf[c]	24	12	12	18	6
Total	100	100	61	100	100
	no.	no.	no.	no.	no.
Sample size	30	30	27	139	671

[a] Percentage of people poor in all three waves who were in the same family type or economic activity in both waves 1 and 3. [b] One or both parents unemployed. [c] Not in the labour force.

proportion for children who were poor in only wave 1 was close to half that (22 per cent). Only 12 per cent of all children in wave 1 were in families headed by sole parents.

Another difference between the persistently poor and those poor in only wave 1 is that the former are over-represented in families where one or both parents are not working. For example, 41 per cent of the persistently poor children were in families where one or both parents were unemployed or not in the labour force, compared with 35 per cent for those poor in wave 1, and 8 per cent for the whole sample. Among the persistently poor sole parent families, 42 per cent were not in the labour force in wave 1, compared with 18 per cent for those poor only in wave 1, and 6 per cent for the whole sample.

The table also classifies the persistently poor group according to their family type and economic activity in wave 3. Although the distributions across wave 3 are broadly similar to that of wave 1, there are some differences as, over time, the composition by household type changes as people marry, divorce and have children, children leave home, get jobs, lose jobs, etc. The extent of these changes is highlighted by the 'same type in waves 1 & 3' column that reports the breakdowns for children persistently in poverty who did not change family type or economic activity between waves 1 and 3.

For example, 48 per cent of children were in couple-headed families and 32 per cent were in sole parent families in both waves 1 and 3, while the remainder (20 per cent) shifted to other family types. Further, 61 per cent of the sample did not experience a change in economic activity between waves 1 and 3, while the residual, 39 per cent, is the proportion that changed economic activity group over the period. These results do not change our conclusions about the characteristics of families with children in persistent poverty, as the wave 3 breakdowns are very similar to those in wave 1. They do serve to emphasise that, even within the group of children defined to be persistently poor, whose family incomes did not change significantly over the period, there was a lot of change in terms of family type and economic activity. In the next section of the paper, we examine the relationship between economic and demographic changes and income changes.

4.3 Entering and leaving poverty

While the previous section focused on the characteristics of those in persistent poverty, in this section we focus on identifying and describing those who escaped from poverty and those who entered poverty.

In common with studies such as that by Bane and Ellwood (1986) we had to consider how to identify genuine transitions separately from those simply representing measurement error or random year-to-year fluctuations. Following Duncan et al. (1993) we defined a person leaving poverty as someone with income below the poverty threshold at wave t and income at least 10 per cent higher than the poverty threshold at wave $t + 1$, where $t = 1, 2$. Correspondingly, a person entering poverty was defined as someone with income above the poverty threshold at wave t and income at least 10 per cent lower than the poverty threshold at wave $t + 1$. Further, if a person moved into and out of poverty (as with income sequence PNP), we classified this person based on the move from wave 2 to wave 3 — entering poverty. All of the resulting transitions were then pooled and summarised in tables 12 and 13.

As with table 11, the sample sizes for those entering and leaving poverty are extremely small so we present results for only a selection of the poverty lines. About 6–8 per cent of the sample moved out of poverty while 5–6 per cent moved into poverty.

Our approach is as follows. First, we describe those moving between waves t and $t + 1$ in terms of their characteristics in wave t prior to the transition. This is partly a description of those with pretransition incomes close to the poverty line. Second, we analyse the association between leaving and entering poverty and economic and demographic changes in the family environment — in particular, changes in family type, number of adults and children in the family, family economic status, and number of earners in the family.

Characteristics of those leaving and entering poverty

Table 12 shows the family type and economic activity of families with children leaving poverty and entering poverty, in the wave prior to the transition. By definition, those leaving poverty are a subset of those already in poverty, while those entering poverty are a subset of those not in poverty. As in the analysis on the persistently poor, we compare the

characteristics of those making transitions and the subsamples from which they came. We address such questions as: are those leaving poverty merely a random sample or a specific subset of those already in poverty?

Table 12 **Characteristics of families with children moving into and out of poverty, in the wave prior to transition, September 1995–97**
Excludes imputed incomes

Family type and economic activity	Transitions		Poor in only wave 1	Poor in whole wave 1 sample
	Leaving poverty[a]	Entering poverty[b]		
Half-median income	%	%	%	%
Family type				
Couple with children	89	88	78	88
Sole parent	11	12	22	12
All	100	100	100	100
Economic activity				
Couple with children: 2 employed	22	55	14	46
Couple with children: 1 employed	38	30	27	34
Couple with children: 1+unemployed[c]	19	2	19	4
Couple with children: 2 nilf[d]	8	1	16	4
Sole parent: employed	2	7	1	5
Sole parent: unemployed	4	0	3	1
Sole parent: nilf[d]	6	5	18	6
All	100	100	100	100
	no.	no.	no.	no.
Sample size	51	32	139	671
Wave 1 half-median income	%	%	%	%
Family type				
Couple with children	84	84	78	88
Sole parent	16	16	22	12
All	100	100	100	100
Economic activity				
Couple with children: 2 employed	17	43	14	46
Couple with children: 1 employed	39	32	27	34
Couple with children: 1+unemployed[c]	24	8	19	4
Couple with children: 2 nilf[d]	4	1	16	4
Sole parent: employed	3	7	1	5
Sole parent: unemployed	5	2	3	1
Sole parent: nilf[d]	8	8	18	6
All	100	100	100	100
	no.	no.	no.	no.
Sample size	40	37	139	671

[a] Has income below the poverty line at wave *t* and income at least 10 per cent higher than the threshold at wave *t* + 1. [b] Has income above the poverty line at wave *t* and income at least 10 per cent lower than the threshold at wave *t* + 1. [c] One or both parents unemployed. [d] Not in the labour force.

Transitions out of poverty

Regardless of the poverty threshold, a common finding from table 12 is that couples with children constitute a larger proportion of families leaving poverty than they do of the poor in wave 1. In other words, children living in couple families are more likely to leave poverty than are those living in sole parent families. With respect to economic activity, a far greater proportion of those leaving poverty are couples where one or both are employed, rather than sole parent families, where the parent is in the labour force, whether employed or unemployed.

Transitions into poverty

The proportions of couples and sole parents with children entering poverty are very similar to the proportions of those leaving poverty. On economic activity, there are distinct differences, notably that those entering poverty are much more likely to have both parents employed or the sole parent employed in the wave prior to the transition into poverty. Compared with the sample as a whole, the distribution by family type as well as economic activity is very similar.

Economic and demographic events associated with leaving and entering poverty

Changes in a child's family characteristics and changes in income or poverty status can be associated with leaving and entering poverty.

There were changes in a family's economic activity for around a third of those children leaving poverty (37 per cent) and those entering poverty (32 per cent), much higher than the 18–21 per cent recorded for the overall sample (table 13).

The proportion with changes in family type was lower in all cases than the proportion with changes in economic activity, but this is expected as changes in economic activity can occur without changes in family type. Interestingly, those leaving poverty recorded a higher proportion of changes in family type (11 per cent) than those entering poverty (5 per cent) or the overall sample (4–5 per cent). The proportions reporting changes in both economic activity and family type follow the same pattern as changes in family type.

Increases in the number of earners are clearly associated with leaving poverty, whereas decreases are associated with moves into poverty. Increases in the number of earners could be due to an existing member of the family getting a job, or the entry of a new partner who works, or both. The number of earners increased for 27 per cent of those leaving poverty compared with 9–11 per cent for the sample as a whole. In contrast, for those entering poverty the number of earners decreased by 21 per cent compared with the 5–7 per cent fall for the whole sample.

While there is a clear correlation between the number of earners and entering or leaving poverty, the association between family composition and change in income or poverty status is less clear-cut.

For those leaving poverty, the proportion recording increases (31 per cent) and decreases (26 per cent) in the number of adults was nearly

Table 13 Proportion of children experiencing economic and demographic events leaving and entering poverty compared with the whole sample, September 1995–97 Excludes imputed incomes

		Total sample		Children	
		Wave 1 to 2	Wave 2 to 3	Leaving poverty[a]	Entering poverty[b]
Lowest quintile		%	%	%	%
Economic activity	Same	79	82	63	68
	Changed	21	18	37	32
Family type	Same	96	95	89	95
	Changed	4	5	11	5
Both economic activity	Same	96	95	89	95
and family type	Changed	4	5	11	5
No. of earners	Increased	11	9	27	7
	Same	82	85	71	72
	Decreased	7	5	2	21
No. of adults	Increased	13	13	31	25
	Same	70	73	43	59
	Decreased	17	14	26	16
No. of children	Increased	7	8	5	15
	Same	86	83	63	71
	Decreased	7	10	32	14
		no.	no.	no.	no.
Sample size		323	323	51	32

[a] Leaving poverty — has income below the poverty line at wave *t* and income at least 10 per cent higher than the threshold at wave *t* + 1. [b] Entering poverty — has income above the poverty line at wave *t* and income at least 10 per cent lower than the threshold at wave *t* + 1.

double the corresponding percentages for the sample as a whole. The effect of children, on the other hand, is more clear-cut. Since children are more likely to be financially dependent, an above-average decrease in the number of children (32 per cent compared with 7–10 per cent for the overall sample) characterised those leaving poverty.

For those entering poverty, the increase in the number of adults (25 per cent) was also above average, nearly double the corresponding percentage for the whole sample, although the proportion recording decreases was about the same as the overall sample. In this case, it is clear that the 'new' adults in the family were not earning. The effect of children on this group was less precise — as it recorded both above-average increases and decreases in the number of children. While decreases in the number of children led to an increase in income per person for those leaving poverty (fewer mouths to feed), this could have a different implication for those entering poverty, depending on how reliant they are on social security payments.

5   Summary

Based on lowest decile, lowest quintile and half the median of current income definitions of the poverty line, child poverty rates in wave 1 were 12 per cent, 24 per cent and 22 per cent respectively. For children under the age of 15 years, the resulting poverty rates were about the same. It should be emphasised that these poverty rates are calculated based on gross income and are not directly comparable with the usual poverty rates based on disposable income. They are nevertheless reasonable once one takes differences between the two definitions of income into account; we expect higher poverty rates using gross income because of progressivity in the income tax system.

An examination of the extent and pattern of income dynamics revealed by the population reference group, and the transitions into and out of poverty among households with children, reveal the following key findings.

- While there was extensive movement between family income groups from one year to the next, the moves were generally not very large. Families who were rich in one year were unlikely to slip into poverty the next year, and families who were poor in one year were unlikely to be rich the next year.

- Based on the highest three poverty lines defined, about 5–7 per cent of all Australian children were poor in all three years of the study, which represents between 28 and 41 per cent of those in poverty in the first year. By comparison, in any one of the three years, between 18 and 25 per cent of all children experienced poverty. These figures suggest that there may be differences in the characteristics of families of children in persistent poverty and those in poverty in only one of the three years.

- Children in persistent poverty were over-represented in families where one or both parents were not working, or where the sole parent was not in the labour force. There was a strong association between changes in a child's family characteristics and changes in income or poverty status. Changes in the number of earners in the family had a clear-cut association with transitions out of or into poverty, while decreases in the number of children (via children reaching adulthood and leaving the parental home) were more important for transitions out of poverty.

A   Comparison of SEUP and IDS data on income units

Table A1   SEUP September 1995 and IDS 1995: size and distribution of income units

	Income unit composition		Income unit size	
	SEUP	IDS	SEUP	IDS
Excluding imputed income	%	%	no.	no.
Couple with dependants	60.7	54.2	4.3	4.2
Couple only	17.2	17.3	2.0	2.0
Sole parent	6.6	7.4	3.0	2.9
Single	15.6	21.1	1.0	1.0
Total	100.0	100.0	3.3	3.1
Including imputed income	%	%	no.	no.
Couple with dependants	62.1	54.2	4.4	4.2
Couple only	18.5	17.3	2.0	2.0
Sole parent	5.7	7.4	3.0	2.9
Single	13.8	21.1	1.0	1.0
Total	100.0	100.0	3.4	3.1
Sample size	no.	no.	no.	no.
No imputed income	1 567	8 675	1 567	8 675
With imputed income	1 887	8 675	1 887	8 675

Note: Statistics on SEUP were estimated only for respondents that had data on income.

Sources: SEUP — ABS, *Survey of Employment and Unemployment Patterns, 1994–1997*, Cat. no. 6286.0, ABS, Canberra; IDS — ABS, *Income Distribution Survey 1994-95*, Cat. no. 6523.0, ABS, Canberra.

Table A2 SEUP September 1995 and IDS 1995: ratios and differences in current weekly income: by decile, quintile and income unit type

	Income ratios: SEUP/IDS					Difference in income share by decile: SEUP – IDS				
	Total	Couple with children	Couple only	Sole parent	Single	Total	Couple with children	Couple only	Sole parent	Single
	ratio	ratio	ratio	ratio	ratio	%	%	%	%	%
Excluding imputed income										
Decile										
1	1.69	2.86	3.02	1.37	1.40	1	1	1	1	0
2	1.12	1.10	1.07	1.15	1.17	0	0	-1	0	-1
3	1.05	1.05	1.05	1.07	1.03	0	0	-1	0	-1
4	1.05	1.05	1.06	1.05	1.05	-1	0	-1	0	-2
5	1.06	1.06	1.05	1.06	1.06	-1	0	-2	0	-2
6	1.05	1.05	1.05	1.07	1.05	-1	0	-2	0	-3
7	1.05	1.05	1.06	1.06	1.04	-1	0	-2	0	-3
8	1.04	1.04	1.03	1.11	1.05	-1	0	-3	1	-4
9	1.00	1.00	1.01	1.00	1.05	-2	-1	-4	-1	-4
10	1.41	1.11	2.17	0.91	2.50	6	1	16	-3	19
Quintile										
1	1.27	1.36	1.32	1.10	1.18	1	1	0	0	-1
2	1.05	1.03	1.06	1.09	1.04	-1	0	-3	0	-3
3	1.05	1.05	1.07	1.13	1.05	-1	0	-5	1	-4
4	1.04	1.04	1.05	1.14	1.08	-2	0	-7	2	-6
5	1.25	1.03	1.96	0.96	1.84	4	-1	15	-4	14
Total	1.15	1.00	1.49	1.10	1.11					
Including imputed income										
Decile										
1	1.85	3.16	3.64	1.41	1.42	1	1	1	-1	0
2	1.23	1.20	1.20	1.21	1.26	0	0	-1	-2	0
3	1.17	1.18	1.19	1.16	1.15	0	0	-1	-3	-1
4	1.14	1.13	1.17	1.13	1.13	-1	0	-2	-5	-1
5	1.14	1.14	1.13	1.16	1.13	-1	0	-2	-5	-1
6	1.13	1.14	1.11	1.11	1.12	-1	0	-3	-7	-2
7	1.13	1.13	1.13	1.08	1.13	-1	0	-3	-8	-2
8	1.12	1.12	1.12	1.14	1.10	-2	0	-4	-9	-2
9	1.08	1.07	1.11	1.02	1.09	-3	-1	-5	-13	-3
10	1.67	1.19	2.72	12.37	1.96	8	1	19	54	12
Quintile										
1	1.40	1.50	1.36	1.14	1.34	0	2	-1	-4	0
2	1.16	1.16	1.14	1.15	1.12	-1	0	-3	-8	-2
3	1.14	1.14	1.12	1.18	1.11	-2	0	-5	-11	-3
4	1.12	1.12	1.11	1.22	1.15	-3	-1	-7	-15	-4
5	1.45	1.13	2.14	6.23	1.72	6	-1	15	38	10
Total	1.28	1.07	1.57	2.50	1.15					

Note: Income values used were based on raw data and not bottom- or top-coded in any way.

Sources: SEUP — ABS, *Survey of Employment and Unemployment Patterns, 1994–1997*, Cat. no. 6286.0, ABS, Canberra; IDS — ABS, *Income Distribution Survey 1994-95*, Cat. no. 6523.0, ABS, Canberra.

B   Poverty lines and poverty rates

Table B1   **Poverty lines, September 1994–97** In September quarter 1994 dollars

	Current income			Annual income		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
Excluding imputed income	$	$	$	$	$	$
Lowest decile	338	214	310	290	311	371
Lowest quintile	435	399	434	452	437	483
Half-median	414	374	392	459	431	454
Wave 1 half-median	414	414	414	459	459	459
Including imputed income	$	$	$	$	$	$
Lowest decile	357	135	272	313	295	341
Lowest quintile	461	297	432	460	442	455
Half-median	442	322	408	463	424	450
Wave 1 half-median	442	442	442	463	463	463
Sample size	no.	no.	no.	no.	no.	no.
No imputed income	1 567	1 472	1 580	1 402	1 336	1 510
With imputed income	1 887	1 880	1 924	1 872	1 918	1 924

Table B2   **Child poverty rates, September 1994–97** Includes imputed incomes

	All dependent children			Children aged under 15		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
Current income	%	%	%	%	%	%
Lowest decile	13.6	9.2	10.3	14.0	9.3	10.4
Lowest quintile	24.3	21.4	22.0	26.0	21.9	22.4
Half-median	23.1	24.1	19.3	24.5	24.9	19.1
Wave 1 half-median	23.1	36.9	21.6	24.5	38.4	21.6
Annual income	%	%	%	%	%	%
Lowest decile	11.8	10.7	12.2	11.9	11.0	11.8
Lowest quintile	23.5	21.7	23.2	24.5	22.8	23.6
Half-median	23.7	20.0	22.9	24.8	20.9	23.2
Wave 1 half-median	23.7	23.1	21.8	24.8	24.3	21.5
Sample size	no.	no.	no.	no.	no.	no.
Current income data	818	857	880	732	753	753
Annual income data	823	869	880	734	762	753

C   Supplementary tables on income mobility and dynamics of child poverty

Table C1   **Movement between income deciles: one year transitions, September 1994–97** Excludes imputed incomes

Decile in 1st period	Decile in subsequent period										Total
	1	2	3	4	5	6	7	8	9	10	
	%	%	%	%	%	%	%	%	%	%	%
Current income											
1	30	28	4	19	8	4	0	6	0	1	100
2	6	30	23	13	14	6	7	0	2	0	100
3	7	27	33	20	5	3	1	2	1	2	100
4	2	7	25	20	20	16	2	4	3	1	100
5	3	19	11	18	17	14	10	5	2	1	100
6	5	3	3	6	18	23	23	11	5	3	100
7	3	2	10	3	5	13	38	20	7	0	100
8	17	2	3	2	4	5	14	27	20	6	100
9	2	0	0	0	6	4	12	15	41	19	100
10	6	0	2	0	1	2	4	15	16	54	100
Annual income											
1	26	47	15	4	1	3	1	1	2	0	100
2	42	29	21	2	2	2	0	2	0	0	100
3	12	13	38	19	11	1	0	1	0	4	100
4	1	7	25	32	11	13	6	1	0	3	100
5	1	2	6	20	26	30	7	6	2	0	100
6	3	0	5	2	25	22	34	4	3	2	100
7	4	1	3	1	8	20	30	14	11	8	100
8	1	0	4	7	2	5	20	41	17	3	100
9	2	0	0	0	4	3	11	16	50	14	100
10	1	1	0	1	2	1	6	11	11	67	100

Table C2 Movement between income quintiles: one year transitions, September 1994–97 Excludes imputed incomes

Quintile in 1st period	Quintile in subsequent period					Total
	1	2	3	4	5	
	%	%	%	%	%	%
Current income						
1	48	29	15	6	2	100
2	22	49	21	4	3	100
3	15	19	36	24	6	100
4	12	9	13	50	16	100
5	4	1	6	23	65	100
Annual income						
1	72	21	4	2	1	100
2	18	57	17	4	4	100
3	3	16	52	26	3	100
4	3	7	19	52	19	100
5	2	0	5	21	72	100

Table C3 Movement between income groups relative to the median: one year transitions, September 1994–97 Excludes imputed incomes

Median group in 1st period	Median group in subsequent period				Total
	< 0.5 median	< 1.0 median	< 1.5 median	> 1.5 median	
	%	%	%	%	%
Half-median income					
Current income					
<0.5 median	46	46	7	1	100
<1.0 median	17	63	16	4	100
<1.5 median	10	20	50	19	100
>1.5 median	5	4	29	62	100
Annual income					
<0.5 median	69	28	3	0	100
<1.0 median	11	68	17	3	100
<1.5 median	3	22	61	14	100
>1.5 median	1	3	31	64	100
Wave 1 half-median income					
Current income					
<0.5 median	56	38	1	4	100
<1.0 median	16	67	13	4	100
<1.5 median	11	19	56	14	100
>1.5 median	7	5	22	66	100
Annual income					
<0.5 median	70	27	3	0	100
<1.0 median	11	71	14	4	100
<1.5 median	3	24	65	8	100
>1.5 median	3	3	16	79	100

Table C4   **Summary of mobility between income groups over one and two year intervals, September 1994–97**   Includes imputed incomes

	Current income				Annual income			
	All children		Children under 15		All children		Children under 15	
	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]
	%	%	%	%	%	%	%	%
Proportion of the sample remaining in the same income group								
Decile group	20	22	21	22	34	32	31	32
Quintile group	38	40	38	39	54	52	52	50
Half-median group	46	44	47	44	62	61	61	59
Wave 1 half-median group	55	48	54	48	67	64	66	62
Proportion of the sample remaining in the same or adjacent income group								
Decile group	50	54	49	55	71	64	72	64
Quintile group	77	83	76	80	89	87	89	86
Half-median group	86	89	87	89	94	93	94	94
Wave 1 half-median group	88	88	88	88	94	94	94	94

a Average of transitions between waves 1 and 2 and waves 2 and 3. **b** Transition between waves 1 and 3.

Table C5   **Low income and high income persistence over a one year interval[a], September 1994–97**   Includes imputed incomes

	Current income		Annual income	
	All children	Children under 15	All children	Children under 15
	%	%	%	%
Proportion of the sample in the same low income group				
Lowest decile group	19	18	31	33
Lowest quintile group	33	33	60	59
Below half-median group	41	41	61	61
Below wave 1 half-median group	59	59	66	65
Proportion of the sample in the same high income group				
Richest decile group	50	53	59	62
Richest quintile group	60	57	67	67
Above 1.5-median group	57	56	64	61
Above wave 1 1.5-median group	60	58	72	70

a Average of transitions between waves 1 and 2 and waves 2 and 3.

Table C6 **Long-range downward and upward mobility over one and two year intervals, September 1994–97** Includes imputed incomes

	Current income				Annual income			
	All children		Children under 15		All children		Children under 15	
	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]	1 yr[a]	2 yr[b]
	%	%	%	%	%	%	%	%
Proportion of richest income group moving to poorest income group								
Top decile to bottom	8	6	8	5	5	0	4	0
Top quintile to bottom	9	10	11	9	4	4	3	4
Above 1.5-median to below half-median	10	12	10	13	4	6	3	8
Above wave 1 1.5-median to below wave 1 half-median	12	11	12	11	5	0	4	1
Proportion of poorest income group moving to richest income group								
Bottom decile to top	2	2	3	3	0	0	0	0
Bottom quintile to top	7	1	8	1	1	2	1	1
Below half-median to above 1.5-median	5	1	5	2	0	1	1	1
Below wave 1 half-median to above wave 1 1.5-median	3	1	3	2	1	2	1	2

[a] Average of transitions between waves 1 and 2 and waves 2 and 3. [b] Transition between waves 1 and 3.

Table C7 **Income pattern for all children across three years, September 1994–97** Includes imputed incomes

Poverty threshold	Income pattern[a]	Sample number with income pattern	Proportion of sample with income pattern	Mean income[b]		
				Wave 1	Wave 2	Wave 3
		no.	%	$ pw	$ pw	$ pw
Current income						
Lowest decile	NNN	547	77.2	988	810	957
	NNP	32	4.8	746	527	157
	NPN	29	6.4	952	95	854
	NPP	17	2.0	952	37	87
	PNN	50	7.4	342	445	508
	PNP	10	1.6	350	354	270
	PPN	1	0.2	323	162	460
	PPP	2	0.4	314	43	149
	Total	688	100.0	911	696	846
Lowest quintile	NNN	417	58.9	1082	946	1053
	NNP	46	6.4	843	604	238
	NPN	61	9.2	1035	170	940
	NPP	31	3.8	1067	115	216
	PNN	50	7.4	420	480	700
	PNP	56	7.7	350	438	384
	PPN	8	3.5	454	146	712
	PPP	19	3.2	353	193	295
	Total	688	100.1	911	696	846
Half-median	NNN	426	60.3	1067	936	1040
	NNP	38	5.4	888	647	219
	NPN	66	9.8	1003	177	919
	NPP	35	4.3	1009	144	225
	PNN	45	7.2	391	509	613
	PNP	43	4.3	315	390	321
	PPN	13	4.5	469	210	804
	PPP	22	4.1	351	252	297
	Total	688	99.9	911	696	846
Wave 1 half-median	NNN	391	53.8	1071	995	1078
	NNP	37	4.6	966	698	259
	NPN	92	15.3	1037	273	866
	NPP	45	6.1	889	222	240
	PNN	24	3.8	354	561	613
	PNP	11	0.8	306	531	315
	PPN	30	7.0	441	281	743
	PPP	58	8.6	359	329	340
	Total	688	100.0	911	696	846

Table C7   **Income pattern for all children across three years, September 1994–97** (continued)

Poverty threshold	Income patternª	Sample number with income pattern	Proportion of sample with income pattern	Mean incomeᵇ		
				Wave 1	Wave 2	Wave 3
		no.	%	$ pw	$ pw	$ pw
Annual income						
Lowest decile	NNN	540	79.4	1 049	1 047	1 121
	NNP	35	4.4	537	478	243
	NPN	41	5.5	987	182	603
	NPP	13	1.0	391	158	252
	PNN	32	4.3	199	478	586
	PNP	12	1.7	287	470	324
	PPN	9	1.0	134	239	462
	PPP	19	2.7	229	226	279
	Total	701	100.0	936	901	979
Lowest quintile	NNN	462	68.3	1 130	1 124	1 205
	NNP	32	3.9	723	695	372
	NPN	37	4.8	912	276	709
	NPP	27	3.4	920	266	330
	PNN	32	5.1	335	655	782
	PNP	15	2.3	348	572	427
	PPN	20	1.8	256	263	550
	PPP	76	10.4	295	308	350
	Total	701	100.0	936	901	979
Half-median	NNN	466	68.7	1 128	1 121	1 203
	NNP	34	4.6	752	658	365
	NPN	34	4.5	921	251	698
	NPP	24	2.6	924	212	331
	PNN	34	5.2	334	651	777
	PNP	21	3.2	357	538	419
	PPN	22	2.1	264	264	538
	PPP	66	9.1	286	295	340
	Total	701	100.0	936	901	979
Wave 1 half-median	NNN	458	68.3	1 128	1 122	1 206
	NNP	37	4.2	694	683	340
	NPN	42	5.5	1 084	240	685
	NPP	21	2.3	659	363	316
	PNN	29	4.7	331	664	791
	PNP	9	1.1	327	592	343
	PPN	24	2.9	247	333	561
	PPP	81	10.8	313	329	353
	Total	701	99.8	936	901	979

ª Income pattern codes the incomes at wave 1, wave 2 and wave 3 as P if below the poverty line threshold and as N if equal to or higher than the threshold. ᵇ In September quarter 1994 dollars.

Table C8 Proportions of children in poverty in wave 1 and still in poverty after waves 2 and 3, September 1995–97 Includes imputed incomes

| | Poverty threshold | | | |
	Lowest decile	Lowest quintile	Below half-median	Below wave 1 half-median
Current income	%	%	%	%
Proportion of total sample in poverty in wave 1	10	22	20	20
Proportion in poverty in wave 1[a]	100	100	100	100
Proportion still in poverty in wave 2[b]	6	31	43	77
Proportion still in poverty in waves 2 and 3[c]	4	15	20	43

[a] Those with income sequence of PPP, PPN, PNP or PNN. [b] Those with income sequence of PPP or PPN.
[c] Those with income sequence of PPP.

Table C9 Change in current income level by income pattern and poverty line, September 1995–97 Includes imputed incomes

| Income pattern | Poverty threshold | | | |
	Lowest decile	Lowest quintile	Below half-median	Below wave 1 half-median
	%	%	%	%
Always poor				
PPP	-52	-17	-15	-5
Enters poverty				
PNP	-23	10	2	3
NPP	-91	-80	-78	-73
NNP	-79	-72	-75	-73
Leaves poverty				
PPN	42	57	71	69
PNN	49	67	57	73
NPN	-10	-9	-8	-16
Never poor				
NNN	-3	-3	-3	1
Total	-7	-7	-7	-7

Note: Poverty sequence codes the incomes at wave 1, wave 2 and wave 3 as P if below the poverty line threshold and as N if equal to or higher than the threshold.
Source: Based on table C7.

Table C10 **Proportion of children in poverty by number of waves, September 1995–97** Includes imputed incomes

	Poverty line			
	Lowest decile	Lowest quintile	Below half-median	Below wave 1 half-median
Current income	%	%	%	%
Proportion in poverty in 3 waves[a]	0.4	3	4	9
Proportion in poverty in 2 waves[b]	4	15	13	14
Proportion in poverty in 1 wave[c]	19	23	22	24
Proportion in poverty in 3 waves[a]	0.4	3	4	9
Proportion in poverty in at least 2 waves[b]	4	18	17	23
Proportion in poverty in at least 1 wave[c]	23	41	40	46

[a] Those with income sequence = PPP. [b] Those with income sequence = PPN, NPP and PNP. [c] Those with income sequence = PNN, NPN and NNP.

Source: Based on table C7.

Table C11 **Family type and economic activity of children classified poor in all three waves, September 1995–97** Includes imputed incomes

Family type and economic activity	Poor in all three waves			Poor only in wave 1	All in wave 1
	Wave 1	Wave 3	Same type in waves 1 & 3[a]		
Half-median income	%	%	%	%	%
Family type					
Couple with children	80	82	72	81	90
Sole parent	20	18	11	19	10
Total	100	100	83	100	100
Economic activity					
Couple with children: 2 employed	14	22	14	17	49
Couple with children: 1 employed	33	35	25	36	34
Couple with children: 1+unemployed[b]	14	6	5	14	4
Couple with children: 2 nilf[c]	17	19	16	12	3
Sole parent: employed	1	8	1	1	4
Sole parent: unemployed	.	.	.	3	1
Sole parent: nilf[c]	18	10	10	16	5
Total	100	100	71	100	100
	no.	no.	no.	no.	no.
Sample size	22	22	19	170	818
Wave 1 half-median income	%	%	%	%	%
Family type					
Couple with children	76	77	72	81	90
Sole parent	23	23	19	19	10
Total	100	100	91	100	100
Economic activity					
Couple with children: 2 employed	7	12	7	17	49
Couple with children: 1 employed	30	32	24	36	34
Couple with children: 1+unemployed[b]	14	12	4	14	4
Couple with children: 2 nilf[c]	25	20	18	12	3
Sole parent: employed	1	8	1	1	4
Sole parent: unemployed	2	2	0	3	1
Sole parent: nilf[c]	21	13	12	16	5
Total	100	100	66	100	100
	no.	no.	no.	no.	no.
Sample size	58	58	54	170	818

[a] Percentage of people poor in all three waves who were in the same family type or economic activity in both waves 1 and 3. [b] One or both parents unemployed. [c] Not in the labour force.

Table C12 **Characteristics of families with children moving into and out of poverty, in the wave prior to the transition, September 1995–97** Includes imputed incomes

Family type and economic activity	Transitions		Poor only in wave 1	All in wave 1
	Leaving poverty[a]	Entering poverty[b]		
Half-median income	%	%	%	%
Family type				
Couple with children	91	90	81	90
Sole parent	9	10	19	10
All	100	100	100	100
Economic activity				
Couple with children: 2 employed	37	48	17	49
Couple with children: 1 employed	44	26	36	34
Couple with children: 1+unemployed[c]	7	11	14	4
Couple with children: 2 nilf[d]	3	5	12	3
Sole parent: employed	3	3	1	4
Sole parent: unemployed	1	3	3	1
Sole parent: nilf[d]	5	3	16	5
All	100	100	100	100
	no.	no.	no.	no.
Sample size	114	84	170	818
Wave 1 half-median income	%	%	%	%
Family type				
Couple with children	89	93	81	90
Sole parent	11	7	19	10
All	100	100	100	100
Economic activity				
Couple with children: 2 employed	39	59	17	49
Couple with children: 1 employed	41	26	36	34
Couple with children: 1+unemployed[c]	7	4	14	4
Couple with children: 2 nilf[d]	1	5	12	3
Sole parent: employed	5	4	1	4
Sole parent: unemployed	3	2	3	1
Sole parent: nilf[d]	4	2	16	5
All	100	100	100	100
	no.	no.	no.	no.
Sample size	117	83	170	818

[a] Has income below the poverty line at wave *t* and income at least 10 per cent higher than the threshold at wave *t* + 1. [b] Has income above the poverty line at wave *t* and income at least 10 per cent lower than the threshold at wave *t* + 1. [c] One or both parents unemployed. [d] Not in the labour force.

Table C13 **Proportion of children experiencing economic and demographic events leaving and entering poverty compared with the whole sample, September 1995–97** Includes imputed incomes

		Total sample		Children	
		Wave 1 to 2	Wave 2 to 3	Leaving poverty[a]	Entering poverty[b]
Half-median income		%	%	%	%
Economic activity	Same	78	82	72	67
	Changed	22	18	28	33
Family type	Same	97	94	92	89
	Changed	3	6	8	11
Both economic activity	Same	97	94	92	89
and family type	Changed	3	6	8	11
No. of earners	Increased	13	8	16	5
	Same	80	85	76	76
	Decreased	7	7	8	19
No. of adults	Increased	14	15	24	32
	Same	69	72	59	57
	Decreased	17	13	17	11
No. of children	Increased	6	8	2	11
	Same	86	81	75	70
	Decreased	8	11	23	19
		no.	no.	no.	no.
Sample size		484	484	114	84

a Leaving poverty — has income below the poverty line at wave *t* and income at least 10 per cent higher than the threshold at wave *t* + 1. **b** Entering poverty — has income above the poverty line at wave *t* and income at least 10 per cent lower than the threshold at wave *t* + 1.

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